

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 40 - SB 147**

March 26, 2017

**SUMMARY OF BILL:** Enacts “The Open Carry Firearms Freedom Act” that makes multiple changes to state law regarding handgun carry permits and the carrying and possessing of firearms. Authorizes individuals, who are legally able to possess a handgun, to openly carry a firearm without the need for a handgun carry permit. Creates an affirmative defense for someone on school property with a firearm when such person is removing a firearm from a vehicle for the purpose of moving the firearm from one portion of a vehicle to another. Prohibits the Department of Safety (DOS) from changing any language on any form or handgun carry permit due to any provision of this act. Requires the DOS to utilize existing forms and permits until current supply is exhausted.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue –**

**Exceeds \$149,800/Each Year FY17-18 through FY19-20/Handgun Permit  
Division**

**Exceeds \$28,500/Each Year FY17-18 through FY19-20/  
Tennessee Bureau of Investigation**

**Decrease State Expenditures –**

**Exceeds \$2,900/Each Year FY17-18 through FY19-20/Handgun Permit  
Division**

**Exceeds \$12,600/Each Year FY17-18 through FY19-20/  
Tennessee Bureau of Investigation**

**Decrease Local Revenue –**

**Exceeds \$9,000/Each Year FY17-18 through FY19-20**

**Other Fiscal Impact –** Under current law and beginning in FY20-21, the state will begin to incur recurring reductions of revenue associated with fewer permit renewals stemming from the introduction of lifetime permits. The extent of this reduced revenue is anticipated to increase over time. As a result, the reductions in state and local revenue and the decrease in state expenditures related to the provisions of this legislation will gradually diminish over time, but will never reach zero.

Assumptions:

- Beginning January 1, 2017, the following new fee structure for handgun carry permits became effective:

**New Permit**

8 year	\$100.00
Military 8 year	\$68.00
Lifetime	\$300.00
Military Lifetime	\$268.00
Retired Law Enforcement Lifetime	\$100.00

**Renewal Permit**

8 year	\$50.00
Military	\$50.00
Upgrade to a Lifetime	\$200.00
Upgrade to a Lifetime Military	\$200.00
Retired Law Enforcement upgrade to a Lifetime	\$100.00

- For purposes of the fiscal note, it is assumed all permits issued will be standard, non-military or law enforcement permits.
- Based on information provided by the DOS, a five-year average of 59,782 initial HGCP's and 72,275 renewal HGCP's are projected to be issued each year under current law.
- Due to the recent fee changes, the percentage of HGCP applications and renewals that elect to purchase a lifetime or renewal permit is unknown.
- It is assumed that 40 percent, or 23,913 of all new HGCP issued will be lifetime, and 60 percent, or 35,869, will purchase renewable permits. It is further assumed 60 percent, or 43,321, of all renewals will purchase renewable permits and 40 percent, or 28,954, will purchase lifetime permits.
- Handgun carry permits afford holders reciprocity; allowing them to legally carry a firearm in various other states.
- Most individuals, who choose to carry a firearm, will carry a firearm concealed from sight, for which a handgun carry permit will continue to be required.
- Allowing persons to openly carry (non-concealed) a firearm without a permit will, however, provide some cost savings for a small cohort of firearm owners. Due to the retained value in holding a handgun carry permit, any reductions in handgun carry permit applications and renewals as a result of this proposed legislation is considered small, but not zero.
- The cohort of individuals that would forgo applying for or renewing a handgun carry permit under the provisions of this legislation would do so because: (1) they have no intention of carrying out-of-state, (2) they always intend to openly carry (non-concealed) while in Tennessee, (3) the number of instances they feel compelled to carry a firearm on their person will be relatively limited, and (4) they can save the money that would

otherwise be spent on a handgun carry permit or permit renewal. Therefore, it is reasonably assumed that the provisions of the legislation will reduce HGCP applications for both lifetime and renewable permits by a minimum of one percent.

- From every new permit fee paid, \$15 is allocated to the applicable sheriff's department to cover the cost of a local background check; \$15 is allocated to the Tennessee Bureau of Investigation (TBI) for updating and maintaining their databases; \$32.65 is allocated to the TBI to cover the cost of fingerprint vendors, TBI background checks, and Federal Bureau of Investigation (FBI) fingerprint background checks; the remaining \$37.35 for renewable permits and \$237.35 for lifetime permits is retained by the Handgun Permit Division (HPD) of the DOS to specifically fund the administrative expenses of the HPD.
- The minimum of one percent reduction in initial handgun carry permit applications is equivalent to 239 initial lifetime applications ( $23,913 \times 1.0\%$ ) and 359 initial renewable applications ( $35,869 \times 1.0\%$ ).
- The recurring decrease in permit fee revenue is estimated to exceed \$107,600 [ $(239 \times \$300) + (359 \times \$100)$ ].
- Pursuant to the current allocation of revenue derived from initial handgun carry permit application fees, the recurring decrease in state revenue to the HPD is estimated to exceed \$70,135 [ $(239 \times \$237.35) + (359 \times \$37.35)$ ]; the recurring decrease in state revenue to the TBI is estimated to exceed \$28,495 [ $(239 + 359) \times (\$15 + \$32.65)$ ]; and the recurring decrease in local revenue is estimated to exceed \$8,970 [ $(239 + 359) \times \$15$ ].
- The one percent minimum reduction in handgun carry permit renewals is equivalent to 290 renewable permits being converted to lifetime permits ( $28,954 \times 1.0\%$ ) and 433 renewable permits continuing to be renewed as renewable permits ( $43,321 \times 1.0\%$ ); the recurring decrease in state revenue to the HPD is estimated to exceed \$79,650 [ $(290 \times \$200) + (433 \times \$50)$ ].
- The total recurring decrease in state revenue to the HPD is estimated to be \$149,785 ( $\$70,135 + \$79,650$ ).
- In addition, there will be a recurring decrease in state expenditures as a result of producing fewer permit cards. According to the DOS, the printing cost to produce one handgun carry permit is \$2.23. The recurring decrease in state expenditures for the HPD will be \$2,946 [ $(239 + 359 + 290 + 433) \times \$2.23$ ].
- The TBI reports a cost for vendor fingerprinting expense of \$8.65 per background check. The recurring decrease in TBI vendor fingerprint expenditures is estimated to be \$5,173 [ $(239 + 359) \times \$8.65$ ].
- The TBI reports a cost of \$12.50 payable to the FBI for each FBI national background check conducted on each initial permit application. The recurring decrease in TBI expenditures made to the FBI is estimated to be \$7,475 [ $(239 + 359) \times \$12.50$ ].
- The total recurring decrease in expenditures for TBI is estimated to be \$12,648 ( $\$5,173 + \$7,475$ ).
- Due to the relatively low reduction in permit application and renewal processing, the DOS is not expected to experience any significant administrative cost reductions other than the cost reductions for permit cards.
- No significant change in incarceration costs for carrying a firearm on school property is anticipated.

- Based on information provided by the Department of Education and the Department of Mental Health, the provisions of the legislation are not expected to impact federal funding or departmental expenditures.
- Under current law and beginning in FY20-21, the state will begin incurring a recurring reduction of revenue associated with fewer permit renewals stemming from the introduction of lifetime permit purchases. The extent of reduced revenue will grow gradually over time. Therefore, the extent of reductions in state and local revenue and the decrease in state expenditures related to the provisions of this legislation will gradually diminish over time, but will never reach zero.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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